



City of NORFOLK

To the Honorable Council
City of Norfolk, Virginia

March 10, 2015

From: Alice M. Kelly, Director, Department of
Finance

Subject: Authorization to Issue
Series 2015 Water System Revenue
Bonds

Reviewed: Sabrina Joy-Hogg
Sabrina Joy-Hogg, Deputy City Manager

Ward/Superward: City-wide

Approved: Marcus D. Jones
Marcus D. Jones, City Manager

Item Number:

PH-1

- I. **Recommendation:** Adopt Ordinance
- II. **Applicant:** City of Norfolk
- III. **Description**
This agenda item is an Ordinance authorizing the issuance of up to \$60,000,000 of Water System Revenue Bonds to partially fund the cashflow needs of the previously approved Water Utility Fund Capital Improvement Program.
- IV. **Analysis**
The proceeds of this bond issuance will partially fund the capital improvement cashflow needs of the Water Utility Fund. The bond sale is scheduled to price and close in March/April 2015.
- V. **Financial Impact**
The planned bond sale, including issuance costs, is anticipated not-to-exceed \$60,000,000. The resulting debt service will be paid by the revenues generated by the Water Utility Fund.
- VI. **Environmental**
N/A
- VII. **Community Outreach/Notification**
Public notification for this agenda item was conducted through the City of Norfolk's agenda notification process.

VIII. Board/Commission Action

The Bond Commission approved this recommendation at its meeting held on November 3, 2014.

IX. Coordination/Outreach

This letter has been coordinated with the Department of Finance, Department of Utilities and the City Attorney's Office.

02/20/2015 tsv

Form and Correctness Approved:

By [Signature]
Office of the City Attorney

Contents Approved:

By [Signature]
DEPT.

NORFOLK, VIRGINIA

Pursuant to Section 72 of the City Charter, I hereby certify that the money required for this item is in the city treasury to the credit of the fund from which it is drawn and not appropriated for any other purpose.

\$ N/A N/A
Director of Finance Account
2/23/15 Date

ORDINANCE No.

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE BY THE CITY OF NORFOLK, VIRGINIA, OF WATER REVENUE BONDS

- - -

WHEREAS, the City of Norfolk, Virginia (the "City"), has executed and delivered to U.S. Bank National Association, as successor to SunTrust Bank and Crestar Bank by merger (the "Trustee"), a Master Indenture of Trust dated as of November 1, 1993 (as previously supplemented and amended, the "Master Indenture"), under which the City has provided for the issuance of its water revenue bonds from time to time pursuant to the terms of separate supplemental indentures to provide funds for the acquisition, financing, construction, operation and maintenance of its water treatment, storage and distribution facilities and to refund bonds previously issued by it;

WHEREAS, the Council (the "Council") of the City has determined that it is advisable to borrow up to \$60,000,000 and to issue water revenue bonds of the City under the Master

Indenture (the "Bonds") (i) to finance certain costs of acquiring, constructing and equipping capital improvements to the City's water system, (ii) to provide, if needed, the funding for the debt service reserve requirement under the Indenture, as hereinafter defined and (iii) to pay the costs of issuance of the Bonds (collectively, the "Project");

WHEREAS, such Bonds shall be issued bearing interest at either tax-exempt or taxable rates;

WHEREAS, the Bonds shall be issued pursuant to the Master Indenture and one or more supplemental indentures of trust (each a "Supplemental Indenture") to be dated a date selected by City Manager of the City (the "City Manager") or the Director of Finance of the City (the "Director of Finance"), between the City and the Trustee;

WHEREAS, the Master Indenture, as previously supplemented and amended and as further supplemented by each Supplemental Indenture will be referred to collectively below as the "Indenture;" and

WHEREAS, the City Council has held a public hearing on March 10, 2015, regarding the issuance of the Bonds in accordance with the requirements of the Public Finance Act of

1991, Chapter 26 of Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code").

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Norfolk:

Section 1:- That the Council hereby determines that it is advisable and will benefit the inhabitants of the City through the promotion of their safety, health, welfare and prosperity to contract a debt and to issue and sell the Bonds in an original aggregate principal amount not to exceed \$60,000,000. The Council hereby authorizes the issuance and sale of the Bonds in one or more series from time to time in accordance with the terms of this Ordinance. Each series of Bonds shall be styled "City of Norfolk, Virginia, Water Revenue Bonds," with an appropriate series designation. The proceeds from the issuance and sale of the Bonds, together with other available funds, shall be used to pay the costs of the Project. The authorization of the issuance and sale of the Bonds in an original aggregate principal amount not to exceed the amount contained in this Section 1 shall expire on June 30, 2016.

Section 2:- That the Bonds shall be limited obligations of the City as to which principal of, premium, if any, and interest shall be payable solely from the net revenues (i.e., revenues less operating expenses) derived by the City from its water system, as such system may exist from time to time, in accordance with the specific provisions of the Indenture and from other funds that have been or may be pledged for such purpose under the terms and conditions of the Indenture. Nothing in this Ordinance, the Bonds or the Indenture shall be deemed to pledge the full faith and credit of the City to the payment of the Bonds.

Section 3:- That the Bonds shall be dated as of a customary date or dates as shall be determined by the City Manager. The Bonds shall be issued in fully registered form in denominations of \$5,000 each or whole multiples thereof, or such other denominations

as the City Manager or the Director of Finance deems advisable. The Bonds of any series shall be numbered from R-1 upward consecutively or in such other manner as determined by the City Manager. The City Manager, in consultation with the Director of Finance, is hereby authorized and directed to determine the principal amount of the Bonds, whether the Bonds bear interest that is includible or excludable from gross income for federal income tax purposes, whether to sell the Bonds, or any portion thereof, to the public by negotiated sale or by public bid, or to a private purchaser by a direct sale, the payment dates for the principal, premium, if any, and interest on the Bonds and the maturity dates for the Bonds; provided that (i) the original aggregate principal amount of the Bonds shall not exceed the amount set forth in Section 1, (ii) the true interest cost of any series of Bonds shall not exceed 5.5% per annum (taking into account any original issue discount or premium); (iii) the sale price of any series of the Bonds shall not be less than 97% of the aggregate principal amount thereof, (iv) no optional redemption premium shall exceed 102% of the principal amount of any Bonds to be redeemed and (v) the final maturity of any series of Bonds shall not be more than 32 years from the dated date of such series of Bonds. The proceeds of up to 4.0% of the original aggregate principal amount of each series of the Bonds are hereby appropriated for use in financing the underwriter's and original issue discounts, if any, related to the issuance and sale thereof.

Section 4:- That the Bonds shall be issued upon the terms established pursuant to this Ordinance and as set forth in the Indenture and shall be in substantially the form on file with the Director of Finance, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance. There may be endorsed on the Bonds such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

Section 5:- That the City Manager and the Director of Finance are hereby authorized and directed to approve such optional redemption provisions with

respect to each series of the Bonds as either may deem advisable, including provisions that preclude any series of the Bonds from optional redemption.

Section 6:- That the Mayor of the City (the "Mayor") and the City Manager are hereby authorized and directed to execute the Bonds. The Clerk of the Council (the "Clerk") is hereby authorized and directed to affix the seal of the City to each series of the Bonds and to attest to the seal. The manner of execution, attestation to and affixation of the seal may be by facsimile; provided, however, that if the signatures of the Mayor, the City Manager and the Clerk are all by facsimile, the Bonds will not be valid until signed at the foot thereof by the manual signature of the Bond Registrar. The City Manager's approval or determination of the details and provisions of the Bonds that the City Manager has been authorized or directed to approve under this Ordinance shall be evidenced conclusively by the City Manager's execution and delivery of the Bonds on the City's behalf.

Section 7:- That the Bonds may have CUSIP identification numbers printed on them. No such number will constitute a part of the contract evidenced by the Bond on which it is imprinted and no liability will attach to the City, or any of its officers or agents by reason of such numbers or any use made of them, including any use made by the City and any of its officers or agents, by reason of any inaccuracy, error or omission.

Section 8:- (a) That the Council hereby authorizes the sale of all or any series of the Bonds to an underwriter or group of underwriters with demonstrated experience in underwriting municipal securities (individually and collectively, the "Underwriter") to be selected by the City Manager or, if the City Manager so elects, at public bid to the bidder with the lowest true interest cost to the City. The City Manager or the Director of Finance is hereby authorized and directed to execute and deliver a Bond Purchase Agreement with the Underwriter, or, if sold at public bid, other appropriate documents with the successful bidder (the "Bid Documents") providing for the sale and delivery of the Bonds upon terms and conditions to be approved by the City Manager or the

Director of Finance, subject to the parameters set forth in Section 1 and Section 3. The approval of the final terms and conditions of the Bonds sold by negotiated sale shall be evidenced conclusively by the execution and delivery of the Bond Purchase Agreement by the City Manager or the Director of Finance and the Underwriter, or, if sold by public bid, the Bid Documents. The City Manager and the Director of Finance are hereby authorized and directed to deem each preliminary official statement "final" for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule").

(b) That the Council hereby authorizes the sale of all or any series of the Bonds directly to a purchaser or purchasers to be selected by the City Manager. The City Manager or the Director of Finance is hereby authorized and directed to execute and deliver such purchase and loan documents as may be necessary or desirable in connection with the direct sale or sales authorized hereby (the "Purchase Documents"). The approval of the final terms and conditions of any Bonds sold by direct sale shall be evidenced conclusively by the execution and delivery of the Purchase Documents by the City Manager or the Director of Finance, subject to the parameters set forth in Section 1 and Section 3. If any Bonds are sold by a direct sale, principal, premium, if any, and interest on such Bonds may be payable pursuant to payment instructions provided by the purchaser and approved by the City Manager. If any Bonds are sold pursuant to a direct sale, such Bonds shall be registered in the name of the purchaser thereof, or, if the City Manager approves of such designee, a designee selected by the purchaser, and such Bonds may be delivered to the registered owner.

Section 9:- That the appropriate officers and agents of the City are hereby authorized and directed to execute and deliver simultaneously with the issuance of any series of the Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes a Non-Arbitrage Certificate and Tax Covenants setting forth the expected use and investment of the proceeds of the Bonds and containing such covenants as may be necessary in order to comply with the provisions of

the Tax Code, including the provisions of Section 148 of the Tax Code and applicable regulations relating to "arbitrage bonds." The Council hereby agrees on behalf of the City that the proceeds from the issuance and sale of any such series of the Bonds will be invested and expended as set forth in the City's Non-Arbitrage Certificate and Tax Covenants and that the City will comply with the other covenants and representations contained in it.

Section 10:- That the Mayor, the City Manager and Director of Finance are hereby authorized and directed to execute and deliver simultaneously with the issuance of each series of the Bonds a Supplemental Indenture in substantially the form on file with the Director of Finance, with such changes, insertions or omissions as may be approved by the Mayor, the City Manager or the Director of Finance, whose approval shall be evidenced conclusively by the execution and delivery of such Supplemental Indenture. The Clerk is hereby authorized and directed to affix the seal of the City to each Supplemental Indenture and to attest to the seal.

Section 11:- That the City Manager and Director of Finance, or either of them, are hereby authorized and directed to execute and deliver simultaneously with the issuance of any or all series of the Bonds a Continuing Disclosure Agreement in substantially the form on file with the Director of Finance, setting forth the reports and notices to be filed by the City and containing such covenants as may be necessary in order to comply with the provisions of the Rule with respect to the Bonds.

Section 12:- That if prior to the offering of any series of the Bonds, market or other conditions are such that the City Manager, in consultation with the Director of Finance, determines that it is not advisable to enter into a long-term financing for all or any portion of the costs of the Project, the City Manager, without further approval of Council as to documentation or otherwise, is hereby authorized to execute, deliver and issue short-term notes of the City (the "Notes") as provided in Section 15.2-2628 of the Virginia Code in anticipation of the issuance of any or all series of the Bonds; provided the principal amount of the Notes shall not exceed the amount set

forth in Section 1, the term to maturity thereof shall not exceed five years and the true interest cost thereon shall not exceed 5.5% per annum (taking into account any original issue discount or premium), and shall be subject to the parameters set forth in Section 1 and Section 3 and the other terms and conditions contained in this Ordinance to the extent not inconsistent with this Section 12. Any of the Notes may be extended or refinanced from time to time by or at the direction of the City Manager, provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note. The Clerk is hereby authorized and directed to affix the seal of the City to such Notes and to attest the seal. The Notes may be secured by the proceeds of any or all series of the Bonds or the net revenues of the City's water system, or both, as the City Manager may determine and may be retired, at the discretion of the City Manager, from the proceeds of the corresponding Bonds or by means of current revenues, special assessments or other funds. The maximum amount of the Bonds authorized by this Ordinance will be reduced by the amount of Notes retired by means of current revenues, special assessments or other funds.

Section 13:- That the City Manager, the Director of Finance and such other officers and agents of the City as the City Manager or the Director of Finance may designate, are hereby authorized and directed to take further action as each deems necessary or appropriate regarding the issuance, credit enhancement and sale of the Bonds, including, without limitation, (i) the preparation, execution and delivery of any agreement relative to the tax status of the Bonds and the use of the proceeds thereof and other instruments, agreements and documents related to the issuance and sale of any series of the Bonds, (ii) the structure of or amounts, if any, in the debt service reserve fund established under the Indenture, (iii) the purchase of one or more credit enhancements for any series of the Bonds if market or other conditions so warrant and (iv) the acquisition of supply arrangements relating to the investment of the proceeds of any series of the Bonds. All actions taken by officers and agents of the City in connection with the issuance and sale of the Bonds are hereby ratified

and confirmed. The authorizations granted in this Ordinance to the Mayor, the Clerk, the City Manager and the Director of Finance may be carried out by the Vice Mayor, the Chief Deputy City Clerk, any Acting or Deputy City Manager or any Acting or Assistant Director of Finance, as appropriate, in the absence of the primary officer.

Section 14:- That the officers and agents of the City are hereby authorized and directed to take such further actions as each deems necessary regarding the issuance and sale of the Bonds and all actions taken by such officers and agents in connection with the issuance and sale of the Bonds are hereby ratified and confirmed.

Section 15:- That the appropriate officers or agents of the City are hereby authorized and directed to file a certified copy of this Ordinance with the Circuit Court of the City pursuant to Sections 15.2-2607 and 15.2-2627 of the Virginia Code.

Section 16:- That the Council hereby elects pursuant to Section 15.2-2601 of the Virginia Code to issue the Bonds under the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Virginia Code without regard to the requirements, restrictions or other provisions contained in the Charter of the City.

Section 17:- That this Ordinance shall take effect from and after its adoption.